



# Strengthening Pakistan's Connectivity with Regional Countries Through CPEC

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**Zartasha Inayat**

CPEC is the single largest infrastructure investment for Pakistan and the broader region, particularly in energy and infrastructure development. Recognized for its potential importance in connecting South Asia, Central Asia, and the Middle East, CPEC positions Pakistan as a central hub for regional trade and economic connectivity. As a trade gateway to these regions, Pakistan can play a crucial role in facilitating cross-border commerce and investment. As the flagship project of China's Belt and Road Initiative (BRI), CPEC holds the promise of transforming regional connectivity landscape, pivoting Pakistan's economic direction.

With 800 km of highways completed and 813 km under construction, along with 17 completed energy projects adding 8,000 megawatts to the national grid (Khalid, 2023) CPEC has significantly improved

transportation networks and energy security. While the total valuation stands at \$64 billion, CPEC has brought around \$25 billion in direct investment to Pakistan as per December 2024 (Tribune, 2024). These developments have not only addressed Pakistan's infrastructure gaps but also created employment opportunities and expanded access to regional markets, fostering economic growth.

CPEC Phase II signifies a strategic shift towards broader economic diversification, prioritizing maritime trade, connectivity, and the blue economy, as highlighted in the Economic Survey 2023-24. This phase emphasizes both government-to-government (G2G) and business-to-business (B2B) cooperation, creating employment opportunities and boosting Pakistan's agri-cultural exports. In collaboration with Chinese research institutions

and enterprises, Pakistan is making strides in animal husbandry, crop cultivation, and agricultural product processing, strengthening its agribusiness sector and trade potential under CPEC.

CPEC primarily connects Pakistan with Xinjiang province of China, however, its broader significance lies in fostering integration with neighboring countries such as Iran, Afghanistan, and Central Asian states to enhance regional trade and connectivity. This article presents a brief overview of these possibilities.

## REGIONAL CONNECTIVITY WITH NEIGHBORING COUNTRIES

Pakistan and Kazakhstan share growing trade ties, with Pakistan exporting goods worth \$95 million to Kazakhstan and importing \$45.9 million from the country (OEC, 2022). However, connectivity challenges have historically hindered trade expansion. CPEC's infrastructure projects—including highways, railways, and Gwadar Port—offer Kazakhstan an alternative route to access South Asian and global markets. By utilizing these transit routes, Kazakhstan can efficiently export commodities such as oil, coal, and metals, while Pakistan can increase its exports of textiles, agricultural products, and pharmaceuticals. Additionally, the Quadrilateral Traffic in Transit Agreement (QTTA) provides an important avenue to expand trade routes and boost trade volume between both nations. Chinese investment in Kazakhstan's infrastructure, especially in logistics and energy, further strengthens collaboration opportunities. Many Chinese companies operate in both Kazakhstan and Pakistan, creating a platform for tripartite ventures. Joint investments in trade hubs, special economic zones, and digital trade platforms could streamline commerce and boost trade volumes.

Kazakhstan's vast energy resources, including oil and natural gas, position it as a strategic supplier for Pakistan's increasing energy demands. Expanding energy corridors under CPEC could enable Kazakhstan to export hydrocarbons to Pakistan via existing pipelines to China or through new transit routes via Afghanistan and Iran. Furthermore, Pakistan's growing focus on renewable energy aligns with Kazakhstan's expertise in solar and wind power, opening avenues for joint ventures in green energy projects. Strengthening energy trade would not only enhance Pakistan's energy security but also provide Kazakhstan with an alternative market beyond its northern trade partners. Infrastructure investments, such as power grids and energy transmission networks, could support energy trade, ensuring stable supply chains and reducing reliance on external factors. Kazakhstan's participation in CPEC aligns with broader regional trade initiatives, including the Trans-Caspian International Transport Route

(TITR). By integrating Kazakhstan's existing transport infrastructure with CPEC's road and rail networks, goods can move more efficiently between the two countries. Establishing logistics hubs in both nations, coupled with streamlined customs procedures, could significantly lower transit costs and delivery times.

Although there is significant trade potential between countries, certain challenges remain un-addressed. Geopolitical uncertainties, including regional instability in Afghanistan, pose security risks to trade routes. Additionally, environmental concerns associated with large-scale infrastructure projects must be addressed to ensure sustainable development. Kazakhstan's economic diversification strategy should also address potential risks of over reliance on China, ensuring balanced trade engagements which makes trade beneficial for all the countries involved in trade, to maintain economic autonomy. Nevertheless, proactive policy coordination and investment in resilient trade infrastructure can help mitigate these risks and unlock the full potential of Kazakhstan-Pakistan trade through CPEC. Strengthened diplomatic ties and regional cooperation will be essential in navigating political complexities and ensuring long-term economic benefits.

Turkmenistan also offers trade opportunities for Pakistan, particularly in the energy and infrastructure sectors. With Pakistan's energy demand rapidly increasing, strategic regional collaborations are essential to secure a stable energy supply. Projects like the TAPI (Turkmenistan-Afghanistan-Pakistan-India) gas pipeline and the TAP (Turkmenistan-Afghanistan-Pakistan) power transmission lines could play a crucial role in meeting Pakistan's energy needs, providing a reliable source of natural gas and electricity. Additionally, infrastructure projects such as fiber optic networks and railway connectivity could further enhance trade between the two countries.

Iran is another key player connected to Pakistan via CPEC. Due to US sanctions, Iran heavily depends on China to replace Western goods and services. In 2024, Iran's oil exports to China accounted for 90% of its total exports (Fadlon & Zimmt, 2024) highlighting this reliance. Given its strategic location, Pakistan can act as a bridge between China and Iran. As CPEC extends beyond Gwadar Port, linking China with Iran, Pakistan has the opportunity to position itself as a crucial trade and transit hub. By facilitating trade routes, Pakistan stands to benefit from transit fees, infrastructure development, and increased economic activity in its port cities. Strengthening economic ties with both China and Iran could also improve Pakistan's energy security through potential gas imports and oil trade, reducing dependence on expensive alternatives. Despite security concerns

linked to terrorist activities, the leadership of Iran and Pakistan remains optimistic about increasing bilateral trade through CPEC, targeting \$10 billion in the coming years (Business Recorder, 2025). Additionally, there is significant trade potential in agriculture and industry, which both countries can further explore. Streamlining trade routes under CPEC could also help curb oil smuggling from Iran to Pakistan. According to a report submitted to the Prime Minister, approximately 2.8 billion liters of oil are smuggled into Pakistan annually, resulting in a revenue loss of Rs. 60 billion (Butt, 2023).

Azerbaijan also presents untapped trade potential, with mutual trade between the two countries currently below \$100 million. Despite being 2,200 km apart, Pakistan and Azerbaijan share historical connections through the Silk Road and CPEC, strengthening bilateral relations in trade, defense, energy, and information technology.

Recent developments highlight a growing commitment to economic cooperation, with bilateral trade nearly tripling since 2017, reaching \$40.88 million in 2022. Furthermore, discussions on \$2 billion worth of joint projects indicate a shift towards deeper economic collaboration. Defense cooperation remains a key aspect of their relationship, with Pakistan providing strategic support to Azerbaijan during the Nagorno-Karabakh conflict and signing multiple defense agreements over the years.

Beyond defense and trade, energy cooperation has emerged as a key focus. Azerbaijan's vast oil and gas reserves offer a valuable opportunity for Pakistan, which faces a severe energy crisis and dwindling domestic gas supplies. Azerbaijan's Shah Deniz gas field—one of the world's largest—could significantly benefit Pakistan's energy sector. Recently, agreements have been signed for LNG imports, strengthening Pakistan's energy security while expanding Azerbaijan's export market.

Additionally, cooperation in the information technology sector has been gaining traction, with both countries emphasizing digital transformation. Azerbaijan's rapidly growing ICT sector and Pakistan's expanding IT industry, reflected in its \$2.1 billion ICT exports, have led to new agreements on digital collaboration (Raza, 2024). This multi-sectoral engagement reflects a strategic shift in Pakistan-Azerbaijan ties, evolving into a comprehensive partnership focused on regional economic stability and mutual growth.

## IMPORT AND EXPORT TRENDS

Data suggests quite surprising trends of Pakistan's trade with these countries. As shown in figures 1 and 2 below, Pakistan's trade with Iran and Kazakhstan

have had contrasting patterns with the passage of time. Export patterns indicate that Pakistan's trade with Kazakhstan increased constantly while with Iran reduced possibly due to the effect of the sanctions, trade restrictions, and a change of trade policies.

On the export side also, Pakistan has posted its highest export to Iran year by year with the major export being trade of energy like petroleum products and gas. Iran is a major supplier to Pakistan's growing energy needs despite regional threats to security and political issues.

In contrast, trade with Azerbaijan and Turkmenistan is still untapped to a significant degree. Although present agreements with Azerbaijan are a reflection of growing economic relations, the trade is still below its potential. Energy-rich Turkmenistan is rich with opportunities to collaborate together, notably with respect to gas supply and electricity supply by way of the TAPI and the TAP ventures.

Figure 1



Source: WITS

Figure 2



Source: WITS



In conclusion the China-Pakistan Economic Corridor (CPEC) can play a pivotal role in expanding Pakistan's trade with Kazakhstan, Iran, Azerbaijan, and Turkmenistan by enhancing regional connectivity and infrastructure. Furthermore, trade facilitation measures, such as relaxed vi-sa policies and trade agreements, would encourage business engagement. Given Kazakhstan's membership in regional organizations like the Shanghai Cooperation Organization (SCO), diplomatic collaboration could enhance trade cooperation and regulatory alignment. By developing modern transportation networks, energy projects, and trade hubs, CPEC can further facilitate smoother trade flows and reduce logistical barriers.

It is important to note that there are alternate routes being developed to connect the regional countries, including India Middle East Europe Corridor (IMEEC), North South Transport Corridor (NSTC), Trans-Caspian International Transport Route (TITR) or Middle Corridor. These corridors are independent of CPEC and could even push investors towards alternative routes if Pakistan fails to work on security concerns of investors. Furthermore, bureaucratic delays and presence of red tape can further risk the investment in Pakistan and change investors preference to alternate routes, thus bypassing Pakistan.

Pakistan needs to work on the given challenges and provide a secure investment climate, so that CPEC further strengthens Pakistan's position as a key trade

gateway between South Asia and Central Asia, fostering economic integration and opening new opportunities for exports and imports. Leveraging CPEC's infrastructure, Pakistan can deepen its trade ties with these countries, diversify its markets, and promote sustainable economic growth through increased regional cooperation.

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***Ms. Zartasha Inayat is a Research Economist at the Policy Research Institute of Market Economy (PRIME), Islamabad.***